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ANNUAL REPORT

CANADIAN WALLPAPER MANUFACTURERS LIMITED AND SUBSIDIARY COMPANIES

FOR THE YEAR ENDED
DECEMBER 31, 1966

Canadian Wallpaper Manufacturers Limited

DIRECTORS

- J. N. BOISVERT,
President, The Crown Diamond Paint Co. Ltd., Montreal
- * J. R. CRAIG
J. W. HUNTINGTON, M.B.E.,
Director, The Wall Paper Manufacturers Ltd., London, England
- R. F. INCH,
Director, The Wall Paper Manufacturers Ltd., London, England
- K. C. LOGAN, PH.D.,
Director of Research, Anglo-Canadian Pulp & Paper Mills Ltd., Quebec City
- * H. J. MACKAY
* J. A. MULLIN, Q.C.,
partner, Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto
- * M. L. PEMBLE
R. F. QUARTLY
S. T. RYDER,
Managing Director, Reed Paper Group and The Wall Paper Manufacturers Ltd., London, England
- W. E. SOLES,
President and General Manager, Anglo-Canadian Pulp & Paper Mills Ltd., Quebec City
- * S. W. WILBUR
* R. C. MACGILLIVRAY, B. COMM., C.A.
- * Members of Executive Committee.

OFFICERS

Chairman—S. T. RYDER
President—S. W. WILBUR
Executive Vice-President—J. R. CRAIG
Vice-President Finance & Secretary—R. C. MACGILLIVRAY, B. COMM., C.A.

HEAD OFFICE: Two Hundred and Twenty-Two Seventh Street,
Toronto

TRANSFER AGENTS & REGISTRAR: National Trust Company Limited,
Toronto - Montreal

AUDITORS: Price Waterhouse & Co., Toronto

BANKERS: Canadian Imperial Bank of Commerce, Toronto

LEGAL COUNSEL: Fraser, Beatty, Tucker, McIntosh & Stewart,
Toronto

Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

COMPARATIVE SUMMARY

	12 months ended <u>Dec. 31/66</u>	8 months ended <u>Dec. 31/65</u>	<u>12 months ended April 30</u>		
			<u>1965</u>	<u>1964</u>	<u>1963</u>
Net Sales	\$19,381,448	\$9,465,623	\$13,206,181	\$11,789,930	\$9,888,000
Earnings before taxes	1,960,704	987,716	1,350,658	1,205,397	521,265
Earnings after taxes	949,704	499,216	648,358	705,397	264,065
Working Capital	3,778,664	4,656,111	4,440,972	4,020,049	3,450,164
Investment in property (net) ..	3,107,872	2,259,068	2,215,585	2,174,933	2,257,752
Shareholders' Equity	7,609,798	6,841,038	6,522,766	6,132,900	5,685,995
Shares outstanding					
Class A	26,309	26,309	26,284	26,109	26,074
Class B	102,937	102,937	102,962	103,137	103,172
Earnings per share after taxes					
A & B	7.35	3.86	5.02	5.46	2.04
Dividends paid in respect of period					
A & B	2.80	1.40	2.00	2.00	1.00
Equity per common share	58.89	52.93	50.47	47.45	43.99

Report of the Directors to the Shareholders of the Company

Your directors are pleased to submit the following report for the year ended December 31, 1966, together with the consolidated financial statements of your Company and the Auditors' Report.

EARNINGS AND SALES

Consolidated net earnings for the year ended December 31, 1966 were \$949,704 equal to \$7.35 per share. During the previous accounting period, eight months ended December 31, 1965, net earnings of \$3.86 per share were equivalent to an annual rate of \$5.79 so that net earnings have increased by more than 25% in 1966. Consolidated net sales amounted to \$19,381,448. The 1966 results include net sales of \$3,342,633 and net earnings totalling \$118,470 of General Paint Corporation of Canada Limited covering the seven months since acquisition.

CONSOLIDATED FINANCIAL POSITION

At the year end, working capital totalled \$3,778,664, a decrease of \$877,447 during the year.

The principal factors contributing to this decrease were the acquisition of a subsidiary company and an increased investment in plant and equipment.

It is anticipated that, in order to strengthen the group working capital position and to facilitate further expansion, additional financing will be required during 1967.

The shareholders' equity stands at \$58.89 per share compared with \$52.93 at the previous year end.

DIVIDENDS

During the year the company paid \$1.40 per share in respect of 1966 earnings. The directors have declared a further dividend of \$1.40, bringing the total distribution to \$2.80 per share.

BOARD OF DIRECTORS

During the year Mr. R. M. Thomas, Quebec, resigned from the board and Mr. H. J. Mackay, Vancouver, was appointed to fill the vacancy.

Report of Directors—(Continued)

The directors feel that it would be in the interests of the shareholders to reclassify the outstanding Class A non-voting shares and Class B voting shares as common shares on the basis that each shareholder will be entitled to one common share for each Class A or Class B share held. A by-law has been enacted by the directors for this purpose, among others, and will be submitted to the shareholders for their consideration. If the by-law is duly confirmed the shareholders will be requested in due course to surrender their existing share certificates for replacement by new certificates for common shares. Upon the issuance of supplementary letters patent the authorized share capital of the Company will consist of 300,000 common shares of which 129,246 common shares will be outstanding.

SHARE
CAPITAL

How?
maybe

The results in sales and profits at the Toronto and Buffalo plants have again shown satisfactory gains over the comparable prior period. Engineering studies have been undertaken at both plants during the year under review and a five year program of capital expenditures for new and replacement equipment is now under study. Some new printing machinery will be installed during the current year. The importance of research and development has been re-emphasized with the consolidation of the divisions' research personnel into one major team. Studies will be going on throughout the year on new basic printing materials and coatings.

OPERATIONS

Wallpaper and
Wallcoverings

In order to provide accommodation at one location for the already overcrowded operation of the Birge Division as well as the requirements for plant expansion in manufacturing and warehousing, the former Sylvania Electric plant on Rano Street in Buffalo was purchased by The Birge Company, Inc. The parcel of property includes 350,000 square feet of plant and four and a half acres of land. At the present time a large part of the plant is leased out to several small manufacturing companies. While inventories of Birge lines will soon be warehoused at this new location and the screen print operation of their wholly owned subsidiary, "Hand Mark, Inc.", has been installed in the buildings, it is expected that all of the Birge operation at the Niagara Street plant will be transferred to Rano Street at an appropriate time when the building has been modernized for this purpose. Engineering studies are now under way in anticipation of a complete move within the next few years.

Property
Purchased at
Buffalo, N.Y.

Report of Directors—(Continued)

Pigment Colour

Dominion Colour Corporation Limited maintained its position as leader in the Canadian pigment industry following another record year with respect to sales and profits.

A major accomplishment during the year was the installation and start-up of a Spray Dryer, through which the company will benefit by improved product and reduced labour costs.

We look forward to further progress during the current year. A major expansion program is under study. Work by the laboratory staff is continuous and never ending in its search for new and improved products.

Paint

A move of prime importance to the group's expansion program was the entry into the manufacture of paints and protective coatings through the acquisition of General Paint Corporation of Canada Limited, Vancouver, B.C. This company is now a wholly owned subsidiary. General Paint is one of the leading western paint manufacturers, marketing its products under the major trade mark "MONAMEL". Its products are distributed throughout the four western provinces with distributing depots located at Regina, Edmonton, Calgary, Vancouver and Victoria. Several retail/wholesale paint and wall-covering stores are also operated by the company at strategic points in the west.

Merchandising

Our merchandising group of retail and wholesale outlets, operating under the name of Empire Wallpaper & Paint Limited, has shown a satisfactory increase in sales. Increased operating costs plus slightly lower gross profit margins have contributed to a lower net profit than expected. We are looking forward to a reversal of this position during the current year.

Future

new The company as a whole looks forward to further expansion in sales and profits during 1967.

We should like to express our wholehearted appreciation to our customers, employees, stockholders and suppliers, all of whom have contributed to the fine results shown in this report.

Submitted on behalf of the board.
March 15, 1967

S. T. RYDER,
Chairman

Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — DECEMBER 31, 1966

CURRENT ASSETS:

Cash	\$ 56,551
Accounts receivable —	
Trade, including affiliated companies — \$166,000	3,101,420
Other	36,533
Inventories, valued at the lower of cost or net realizable value	5,378,828
Prepaid expenses	342,713
Total current assets	<u>8,916,045</u>

CURRENT LIABILITIES:

Bank loans	\$ 2,540,340	
Accounts payable and accrued liabilities	1,874,021	
Income and other taxes payable	665,507	
Instalments of long-term debt due within one year	57,513	5,137,381
Working capital		<u>3,778,664</u>

LONG-TERM RECEIVABLES	180,358
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PROPERTY, PLANT AND EQUIPMENT, at cost:

Buildings, machinery and equipment	8,173,892	
Less — Accumulated depreciation	5,364,924	
	<u>2,808,968</u>	
Land	298,904	
Leasehold improvements, less amortization	60,143	3,168,015

OTHER ASSETS:

Excess cost of shares of subsidiary company over book value of net assets at date of acquisition	1,392,978	
Designing, cutting and engraving	1	1,392,979
Working capital and other assets		<u>8,520,016</u>

DEDUCT:

Bonds and mortgage payable (Note 2)	604,975	
Deferred income taxes	199,000	
Unrealized profit on foreign exchange arising on consolidation	106,243	910,218
Excess of assets over liabilities		<u>\$ 7,609,798</u>

SHAREHOLDERS' EQUITY:

Capital stock —		
Class "A" shares of no par value —		
Authorized — 194,096 shares		
Issued — 26,309 shares		\$ 538,273
Class "B" shares of no par value —		
Convertible at the holder's option into Class "A" shares on a share for share basis —		
Authorized and issued — 102,937 shares		2,110,209
		<u>2,648,482</u>
Retained earnings		4,961,316
		<u>\$ 7,609,798</u>

APPROVED ON BEHALF OF THE BOARD:

S. W. WILBUR, Director

J. R. CRAIG, Director

Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1966

Net sales	\$19,381,448
Investment and other income	86,696
	<u>19,468,144</u>
COSTS AND EXPENSES:	
Cost of goods sold	\$12,820,275
Selling and distribution	3,316,813
General and administrative	<u>1,370,352</u>
	<u>17,507,440</u>
Earnings before deducting income taxes	1,960,704
Provision for income taxes, including \$71,200 applicable to future periods	<u>1,011,000</u>
Net earnings for the year	949,704
Retained earnings at beginning of year	<u>4,192,556</u>
	<u>5,142,260</u>
Dividend paid (\$1.40 per share)*	<u>180,944</u>
Retained earnings at end of year	<u>\$ 4,961,316</u>

*See Note on page 1 of Report to the Shareholders.

Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1966

Source of funds:

Net earnings for the year ended December 31, 1966	\$ 949,704
Charges which did not involve the current disbursement of funds —	
Depreciation and amortization	286,970
Deferred income taxes	71,200
Funds provided from operations	1,307,874
Increase in long-term debt	129,975
Foreign exchange adjustment	12,407
	<u>1,450,256</u>

Application of funds:

Investment in, less working capital of, subsidiary company at date of acquisition	\$ 1,445,340
Investment in plant and equipment (net)	608,281
Dividend	180,944
Long-term receivables	93,138
	<u>2,327,703</u>
Decrease in working capital	877,447
Working capital at beginning of year	4,656,111
Working capital at end of year	<u>\$ 3,778,664</u>

Canadian Wallpaper Manufacturers Limited and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS — DECEMBER 31, 1966

1. Costs and expenses include:

Depreciation and amortization	\$ 286,970
Remuneration of directors, as directors, officers or employees	125,346
Interest on borrowed funds	143,219

2. Bonds and mortgage payable consist of:

6¾% First Mortgage Sinking Fund Bonds (sinking fund requirement \$25,000 annually 1967 - 1986)	500,000
6% Mortgage Note, due \$15,000 semi-annually (U.S. \$150,000)	162,488
	<u>662,488</u>
Less — Instalments due in 1967, included in current liabilities	57,513
	<u>\$604,975</u>

3. Principles of Consolidation:

During the year the company acquired all of the outstanding shares of General Paint Corporation of Canada Limited. At December 31, 1966 the accounts of this subsidiary have been consolidated with those of the company and its earnings reflected from May 31, 1966.

4. Conversion of Foreign Currency:

Current assets and current liabilities of the United States subsidiary company as at December 31, 1966 have been converted to Canadian currency at the rate of exchange prevailing on that date. Other assets and liabilities have been converted at historical rates. Sales, costs and expenses have been converted at the average rate of exchange for 1966. The gain arising from these conversions has been included in the consolidated balance sheet as an unrealized profit.

5. Commitments:

At December 31, 1966, minimum annual rentals of approximately \$154,000 are payable under leases extending beyond one year, of which approximately \$16,000 is recoverable from sub-tenants.

A subsidiary company is obligated under a pension plan for unfunded past service benefits amounting to approximately \$200,000.

Auditors' Report

TO THE SHAREHOLDERS OF

CANADIAN WALLPAPER MANUFACTURERS LIMITED:

We have examined the consolidated statement of financial position of Canadian Wallpaper Manufacturers Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

PRICE WATERHOUSE & CO.

Chartered Accountants.

TORONTO, CANADA,

FEBRUARY 9, 1967.



DONNEGAN



CORONA

Sunworthy Wall Fashions Promoted in Many Ways



MALVERN


Promoting SUNWORTHY Wall Fashions is a steady and continuing part of the activities at Canadian Wallpaper Manufacturers Limited — Wallpaper Division, Toronto.

As a new SUNWORTHY collection makes its debut, the Public Relations department sends out to the women's editors of the major media attractive publicity kits — these contain decorating stories and interesting illustrations of wall fashions in action. Examples of these illustrations are shown on these pages.

In addition, SUNWORTHY products are promoted in the model room settings of the large Home Shows and Exhibitions. Working with the country's builders we are able to have wallcoverings exhibited in their model homes.

Through our bi-monthly publication, the Roller Review we make every effort to keep our dealers informed about SUNWORTHY products and their uses.

One of a series of full-colour advertisements taken from the most successful advertising campaign carried out by The Birge Company, Inc., Buffalo, N.Y. As the advertising states, "a new dimension in decoration and durability" is achieved for the first time in North America through the introduction of "Wonderful Washable Flocks" by Birge.



Wonderful Washable Flocks by Birge

Now you can have the rare elegance and beauty of flock wallcovering that also is easy to apply, is soap-and-water washable and is highly practical for any room in your home. For the first time, flocks are trimmed for easy application and matching . . . you can even get prepasted flocks. Creslan® acrylic fibers, bonded to a stain-resistant, vinyl surface, provide a new dimension in decoration and durability. Send for your free copy of "Wonderful Washable Flocks" today.



The Birge Company, Inc.
Buffalo, New York 14240

Research work in Dominion Colour Corporation's laboratories results in new coloured pigments and improvements to existing products and processes.





This colour plate shows the exterior view of the head office and manufacturing plant of General Paint Corporation of Canada Limited at Vancouver, B.C. This company is the newest member of the C.W.M. Limited Group. It manufactures a broad line of paints and protective coatings under the major trade name of Monamel. It services the four western provinces, Manitoba, Saskatchewan, Alberta and British Columbia.



This coloured reproduction illustrates the latest display innovations utilized in a complete store modernization program recently carried out in the Empire Wallpaper & Paint Limited branch at Park Avenue, Montreal. This is considered to be the finest showroom of its kind in Canada, the layout having been planned and executed by the country's leading store merchandisers.

Canadian Wallpaper Manufacturers Limited

Operating divisions and managers

Wallcovering Division — Toronto

B. S. BUMSTEAD

The Birge Company, Inc.

M. L. PEMBLE

Dominion Colour Corporation Limited

D. ROBB

Empire Wallpaper & Paint Limited

G. E. ANTHONY

General Paint Corporation of Canada Limited

H. J. MACKAY, C.A.
